

Message Text

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ACTION STR-04

INFO OCT-01 ARA-06 EUR-12 EA-06 NEA-10 IO-10 ISO-00 OIC-02

FEA-01 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 EB-07

FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05

PA-01 AID-05 CIEP-01 SS-15 TAR-01 TRSE-00 USIA-06

PRS-01 SP-02 OMB-01 AF-06 /133 W

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INFO AMEMBASSY BELGRADE

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY MEXICO

AMEMBASSY NEW DELHI

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AMEMBASSY WELLINGTON

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DEPT PASS STR

E.O. 11652: N/A

TAGS: ETRD GATT

SUBJECT: MTN: SECTOR GROUP MEETING JULY 1-3

1. SUMMARY. MEETING WAS MARKED BY HARDENING OF POSITIONS TAKEN IN PREVIOUS MEETINGS OPPOSING SECTOR STUDIES UNTIL AGREEMENT REACHED ON GENERAL FORMULAE ON TARIFFS AND NTMS AND UNTIL NEED FOR SECTOR APPROACH AS A COMPLEMENTARY TECHNIQUE CAN BE DEMONSTRATED. EC AND JAPAN WITH WIDESPREAD SUPPORT ADMANTLY OPPOSED US PROPOSAL THAT SECRETARIAT UNDERTAKE ADDITIONAL STUDIES OF CHEMICALS, ELECTRONICS, AND HEAVY ELECTRICAL MACHINERY SECTORS. NONETHELESS GROUP FINALLY AGREED THAT SECRETARIAT WOULD PREPARE FEASIBILITY STUDY OF DATA AVAILABILITY IN THESE THREE SECTORS PLUS OTHERS (UNSPECIFIED). US AGREED TO PREPARE PAPER FOR NEXT MEETING SETTING FORTH ITS VIEWS WHY STUDIES OF THESE THREE SECTORS SHOULD BE UNDERTAKEN. NEXT MEETING SCHEDULED FOR WEEK OF NOVEMBER 3. END SUMMARY.

2. CANADA (CLARK) OPENED MEETING WITH LENGTHY STATEMENT (POUCHING COPY) CLAIMING THAT ORES AND METALS STUDY PROVED CONCLUSIVELY THAT STRUCTURE OF DUTIES ON NON-FERROUS ORES AND METALS IN EC, JAPAN AND US CONSTITUTED CLASSICAL EXAMPLES OF TARIFF ESCALATION AND HIGH EFFECTIVE PROTECTION FOR THEIR PRODUCERS OF SEMI-MANUFACTURED AND FINISHED GOODS. IN SUPPORT OF CANADA'S POSITION FAVORING DEEP TARIFF CUTS, PARTICULARLY IN THE NON-FERROUS SECTOR, STATEMENT INCLUDED ILLUSTRATIONS OF RESULTS ON COPPER PRODUCTS OF APPLYING MAXIMUM CUTS AUTHORIZED BY TRADE ACT OF 1974 VERSUS EC PROPOSED FORMULA $Y = X$, WHICH ITERATED FIVE TIMES. IN CANADIAN VIEW, RESULTS PROVE THAT EC FORMULA AND/OR TARIFF FLOOR WOULD SERIOUSLY LIMIT GOAL OF REDUCING EFFECTIVE PROTECTION, AND THAT SECTORAL NEGOTIATIONS IN METALS SECTOR REQUIRED TO (A) BRING ABOUT MORE EFFICIENT ALLOCATION OF RESOURCES; (B) ENCOURAGE PROCESSING IN ORE-PRODUCING COUNTRIES; (C) INCREASE TRADE ON BASIS OF IMPROVED DIVISION OF LIMITED OFFICIAL USE
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LABOR; AND (D) INCREASE STABILITY OF SUPPLY. THEY PROMISED BEFORE NEXT MEETING A MORE DETAILED ANALYTICAL PAPER EXPLORING ADVANTAGES OF THIS APPROACH FOR NON-FERROUS METALS AND CONCENTRATING ON LINKS AMONG VARIOUS TRADE BARRIERS WITHIN A SECTOR.

3. US (MCNAMARA) IN OPENING STATEMENT SUGGESTED WAYS IN WHICH METALS PILOT STUDY COULD BE MORE USEFUL, BUT EXPRESSED BELIEF THAT AS IT PROVIDED A PERSPECTIVE ON WORLD TRADE IN METAL PRODUCTS WHICH USEFUL WHETHER NEGOTIATIONS CONDUCTED IN TARIFF OR NON-TARIFF MEASURES (NTM) GROUPS OR ON A SECTOR BASIS. US CONCLUDED THEREFORE THAT MEETING SHOULD FOCUS ON

HOW BEST TO IMPROVE THIS PILOT STUDY AND DECIDE WHAT ADDITIONAL SECTOR STUDIES SHOULD NOW BE UNDERTAKEN.

4. REACTING VERY NEGATIVELY TO BOTH THE CANADIAN AND US OPENING STATEMENTS, EC AND JAPAN, WITH STRONG SUPPORT FROM AUSTRIANS, SWISS, NORDICS AND SPAIN, ADMANTLY OPPOSED ANY FURTHER SECTOR STUDIES UNTIL NEED FOR SUCH STUDIES CAN BE DEMONSTRATED WHICH THEY INSIST NOT POSSIBLE BEFORE AGREEMENT REACHED ON GENERAL FORMULAE APPROACHES TO TARIFFS AND NTMS. THEY ARGUED INTER-ALIA, SECRETARIAT DOCUMENTATION ON ORES AND METALS RECEIVED TOO LATE FOR GOVERNMENTS TO REVIEW AND ANALYZE FOR THIS MEETING, THAT GROUOP SHOULD UNDERTAKE IN-DEPTH ANALYSIS AT NEXT MEETING TO DETERMINE ONLY WHETHER THIS KIND OF DATA MIGHT BE USEFUL IF SECTOR APPROACH USED--NOT THAT SUCH APPROACH SHOULD BE USED IN MTN. THEY REPEATEDLY CITED LANGUAGE IN TOKYO DECLARATION THAT WHERE IT COULD BE DEMONSTRATED THAT IT WILL PRODUCE BETTER RESULTS THAN GENERAL FORMULAE.

5. GIVEN THIS ATMOSPHERE, US PROPOSAL THAT ADDITIONAL STUDIES FOR CHEMICALS, ELECTRONICS AND HEAVY MACHINERY BE UNDERTAKEN BY SECRETARIAT MET BRICKWALL OF RESISTENCE, EVEN AFTER US INDICATED IT WAS FLEXIBLE ON TIME FRAME FOR COMPLETION. US ARGUED, INTER ALIA, AHT

(A) DETAILED STUDIES OF THESE PRODUCT SECTORS, WHICH HIGHLY IMPORTANT TO TRADE OF MOST ACTIVE MTN PARTICIPANTS, WOULD FACILITATE ANALYSES AND DECISIONS ON GENERAL FORMULAE APPROACHES TO TARIFFS AND NTMS, AND (B) SINCE IT OBVIOUSLY WILL BE NECESSARY SOONER OR LATER TO ANALYZE BOTH THE GENERAL FORMULAE AND SECTOR APPROACHES TO DETERMINE WHICH WILL PRODUCE THE LIMITED OFFICIAL USE
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BEST RESULTS, IT BOTH LOGICAL AND DESIRABLE TO HAVE SECRETARIAT CONTINUE COMPILING AVAILABLE DATA FOR ADDITIONAL SECTORS TO FACILITATE COMPARATIVE ANALYSES AT THE APPROPRIATE TIME.

6. FOLLOWING INTENSE DEBATE ON SWISS PROPOSAL THAT SECRETARIAT PREPARE FEASIBILITY STUDY LIMITED TO LISTING SOURCES OF AVAILABLE DATA ON THESE THREE SECTORS AND GROUP WOULD REVERT TO THIS MATTER AT NEXT MEETING IN LIGHT OF EXAMINATION OF AVAILABLE DOCUMENTATION AND DEVELOPMENTS IN OTHER AREAS OF NEGOTIATIONS (READ TARIFFS AND NTMS GROUPS). EVEN HERE, HOWEVER, EC WAS SUCCESSFUL IN BLOCKING MENTION OF THIS COMPROMISE IN CHAIRMAN'S SUMMING UP. AS PART OF COMPROMISE, US AGREED PREPARE PAPER FOR NEXT MEETING SETTING FORTH REASONS WHY SECTOR STUDIES OF CHEMICALS, ELECTRONICS AND HEAVY ELECTRICAL MACHINERY SHOULD BE UNDERTAKEN NOW RATHER THAN AFTER AGREEMENT REACHED ON GENERAL FORMULAE OR APPROACHES TO TARIFFS AND NTMS.

7. CHAIRMAN'S SUMMING UP (SEPTAL) REFLECTED, INTER ALIA, (A) CANADIAN (AND AUSTRALIA) VIEWS IN PARA 2 ABOVE; (B) US AND ASIAN VIEW THAT SECRETIRIAT SHOULD BE REQUESTED UNDERTAKE ADDITIONAL

STUDIES ON CHEMICALS, ELECTRONICS AND HEAVY ELECTRICAL MACHINERY SECTORS; (C) VIEWS OF MOST OTHER DELEGATIONS OPPOSING ADDITIONAL SECTORAL STUDIES UNTIL GENERAL FORMULAE ADOPTED AND UNTIL ANALYSIS OF METALS AND LDC DOCUMENTATION IS PURSUED; AND (D) US AND CANADIAN VIEW THAT WORK OF SECTORS GROUP SHOULD BE UNDERTAKEN IN PARRELL WITH WORK OF OTHER GROUPS.

8. LDC PARTICIPATION VERY LIMITED DUE LARGELY TO CONCURRENT MEETINGS OF UNCTAD COMMITTEE ON MANUFACTURES, THEREBY DEPRIVING US DEL OF MOST, IF NOT ALL, OF ITS SUPPORT FOR MORE STUDIES. SINGAPORE, SPEAKING FOR ASIANS, WAS ONLY DELEGATION WHICH VOICED SUPPORT FOR US PROPOSAL, AND ONLY AFTER WE PRESSED FOR THEIR FURTHER SUPPORT. TO SURPRISE AF ALL DELEGATIONS AND CONSTERNATION OF SOMES DCS, SECRETARIAT'S COCUMENTATION INCLUDED ONE VOLUME (MTN/SEC/W/2), ISSUED WEEK BEFORE MEETING EXAMING IN DETAIL IMPLICATIONS OF SECTOR APPROACH FOR LDCS IN FOUR SECTORS (FISH AND FISH PRODUCTS; HIDES, SKINS AND ARTICLES THEREOF; WOOD AND WOOD PRODUCTS; AND PULPWOOD, PARTICLES AND CHIPS, WOODPULP, PAPER AND PAPER PRODUCTS). THERE WAS NO DISCUSSION OF SECRETARIAT PAPER OTHER THAN STATEMENTS BY BRAZIL, CHILE AND MEXICO THAT IT REPRESENTED USEFUL EXCERCISE. THEY DID, HOWEVER, OBTAIN AGREEMENT THA LIMITED OFFICIAL USE
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SECRETARIAT FEASIBILITY STUDY OF SECTORS PROPOSED BY US COULD INCLUDE OTHER (UNSPECIFIED) SECTORS OF INTEREST TO LDCS.

9. EXPORT RESTRICTIONS. CANADA REFERRED BRIEFLY BUT DID NOT OBJECT TO COMMUNICATIONS TO SECREASECRETARIAT BY EC, JAPAN AND US APPENDED TO METALS SECTOR STUDY, SUGGESTING INCLUSION OF CERTAIN DATA ON EXPORT RESTRICTIONS ON ORES AND METALS. AUSTRALIA INTERVENED FORECFULLY AND FREQUENTLY THAT COMMUNICATIONS WERE EVIDENCE OF ATTEMPT BY MAJOR DELEGATIONS TO UNSURP DECISION-MAKING AUTHORITY OF GROUP AND THAT PARTICIPATING GOVERNMENTS SHOULD FOLLOW ESTABLISHED PROCEDURES. DELEGATIONS COULD NOTIFY THESE RESTRICTIONS IN AGREED MANNER OR DISCUSS IN GROUP AND WIDEN SCOPE OF STUDY IF GROUP AGREES. EC AND US RESPONDED THAT THEY DID NOT SEE AUSTRALIA'S PROBLEM AND THAT INFORMATION IN COMMUNICATIONS WAS RELEVANT TO TRADE IN METALS SECTOR AND NO UNSURPATION WAS INTENDED OR BELIEVED TO HAVE OCCURED. AT VEY END OF MEETING AUSTRALIAN DELEGATION RECERTED TO THIS SUBJECT AND INSERTED LANGUAGE IN CHAIRMAN'S SUMMING UP INTENDE TO LOCK FUTURE PREPARATION AND ANALYSIS OF SECTOR STUDIES INTO "AGREED PROCEDURES". (COMMENT: THERE ARE NO AGREED PROCEDURES.)

10. COMMENT: NUMBER OF FACTORS COMBINED TO FRUSTRATE US EFFORTS TO OBTAIN SUPPORT FOR PROPOSAL TO HAVE SECRETIARIAT DO ADDITIONAL SECTOR STUDIES: (A) UNLIKE ORES, METALS SECTOR, THREE PROPOSED SECTORS ARE OF TRADE INTEREST PRIMARILY TO THOSE COUNTRIES OPPOSED TO HAVING ANY REAL WORK PROCEED NOW IN SECTORS GROUP--EC, JAPAN, NORDICS, SWITZERLAND: (B) LDC UNSUPPORTIVE OF US BECAUSE THEIR

INTERESTS ARE BEING ACCOMODATED BY SECRETARIAT EXAMINATIONS OF
SECTORS OF INTEREST TO LDCS; (C) CANADA UNWILLING SUPPORT (BUT
DID NOT OPPOSE) FURTHER STUDIES NOW THAT ITS INTEREST IN SECTOR
APPROACH IN NON-FERROUS METALS IS SATISFIED; (D) COMPLETION OF
ORES/METALS STUDY JUST BEFORE MEETING PRECLUDED ADEQUATE PREPARATION
FOR SUBSTANTIVE DISCUSSION AT THIS MEETING. IN VIEW OF THESE
FACTORS, US PAPER FOR NOVEMBER SHOULD PROVIDE STRONGEST
CASE POSSIBLE FOR THREE PROPOSED SECTORS. PAPER SHOULD INCLUDE
DISCUSSION OF IMPORTANCE OF SECTOR APPROACH TO REDUCTION OF
TARIFFS AND NON-TARIFF BARRIERS, AS WELL AS OTHER TRADE DISTORTING
FACTORS, AND SPECIFIC DATA ON THE IMPORTANCE TO WORLD TRADE AND
SPECIFIC COUNTRIES OF THESE THREE SECTORS. WE WILL SURVEY DATA
RESOURCES NOW AVAILABLE AOR SOON TO BE AVAILABLE TO DELEGATION
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